

TOWNSHIP OF CHESTER
OTSEGO COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

Township Officials

Supervisor

Robert Harkness

Clerk

Melissa Szymanski

Treasurer

Barb Lewandowski

Trustees

Jean Nowicki

Wanda Basinski

Chester Township

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	10
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	11
Notes to Financial Statements	12 - 19
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	20 - 22



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexaner, CPA (Ret.)

Independent Auditor's Report

October 23, 2008

To the Township Board
Chester Township
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Chester, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund activity of the Township of Chester as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-5 and budgetary comparison information on pages 21-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP

KESKINE, COOK, MILLER & ALEXANDER, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Chester Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Analysis of the Township as a Whole

Our financial status slightly improved over the last year.

Overall revenues were approximately \$254,900, which is classified as general revenues (consisting primarily of state-shared revenues and property taxes).

Overall expenses totaled approximately \$257,100 which is approximately \$86,100 more than the year ended March 31, 2006. The increase in expenditures is a result of two large road projects that were performed during the year ended March 31, 2008 that totaled approximately \$72,100. The activities of the Township have remained the same.

Assets total approximately \$730,000, which consists of approximately \$152,000 in capital assets and approximately \$572,000 in cash and cash equivalents.

Net assets as of March 31, 2008 total approximately \$719,500. Approximately \$152,000 of the total net assets is invested in capital assets with approximately \$567,500 being unrestricted.

The following table shows in condensed format, the net assets as of March 31, 2008.

	<u>Governmental Activities</u>
	<u>March 31, 2008</u>
Assets	
Current assets	\$ 578,000
Noncurrent assets	152,000
Total assets	<u>730,000</u>
Current Liabilities	10,500
Net Assets	
Invested in capital assets - net of related debt	152,000
Unrestricted	567,500
Total net assets	<u>\$ 719,500</u>

The following table shows in condensed format the changes of the net assets during the current year:

	<u>Governmental Activities</u>
Revenue	<u>March 31, 2008</u>
Program revenue:	
Charges for services	\$ 33,481
General revenue:	
Property taxes and assessments	99,240
State sources	91,000
Unrestricted investment earnings	31,000
Other	179
Total revenue	<u>254,900</u>
Program Expenses	
General government	129,600
Public safety	35,000
Public works	92,500
Total program expenses	<u>257,100</u>
Change in Net Assets	<u>\$ (2,200)</u>

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township. The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the general fund (the only fund of the Township).

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following fund:

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base and revenue sharing from the State of Michigan. The major expenses for the year include the general operating activities of the Township. Chester Township outsources fire protection to both the Otsego County Fire Board and the Charlton Township Fire Department. The costs associated with these fire protection contracts are also included in the general fund.

Capital Asset and Long-Term Debt Activity

For the year ended March 31, 2008, the Township purchased no capital assets. Depreciation expense for the year totaled approximately \$6,000. Total capital assets total approximately \$213,000 of which approximately \$55,000 has previously been depreciated.

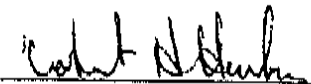
The Township has no outstanding long-term debt or capital leases.

Known Factors affecting Future Operations

None

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact the Township Clerk at the following address: Melissa Szymanski, Chester Township Clerk, 1737 Big Lake Road, Gaylord, MI 49735.



Robert Harkess, Supervisor

**TOWNSHIP OF CHESTER
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Governmental Activities
<hr/>	
Assets	
Current Assets:	
Cash	\$ 571,495
Accounts receivable	6,391
	<hr/>
Total Current Assets	577,886
Non Current Assets:	
Capital assets not being depreciated	10,400
Capital assets being depreciated - net	141,871
	<hr/>
Total Non Current Assets	152,271
	<hr/>
Total assets	730,157
	<hr/>
 Liabilities	
Accounts payable	9,134
Accrued liabilities	1,434
	<hr/>
Total liabilities	10,568
	<hr/>
 Net Assets	
Investment in capital assets	152,271
Unrestricted	567,318
	<hr/>
Total net assets	\$ 719,589
	<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF CHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Functions / Programs	Expenses	P r o g r a m R e v e n u e s			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
General Government	\$ 135,689	\$ 4,905	\$ -	\$ -	\$ (130,784)
Public Safety	34,833	-	-	-	(34,833)
Public Works	92,562	-	-	-	(92,562)
Total Governmental Activities	\$ 263,084	\$ 4,905	\$ -	\$ -	(258,179)
General revenue:					
Property Taxes and Assessments					99,239
Tax Administration Fees					28,576
State Shared Revenues					90,917
Interest					31,039
Miscellaneous					226
Total General Revenue					257,147
Change In Net Assets					(8,182)
Net assets - April 1, 2007					711,407
Net assets - March 31, 2008					\$ 719,589

See accompanying notes to financial statements

TOWNSHIP OF CHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

Assets

Cash	\$ 571,495
Due from other funds	-
Due From County	6,391
	<hr/>
Total assets	577,886
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:

Payroll liabilities	1,434
Accounts payable	9,134

Fund Balance -

Equity	567,318
	<hr/>

Total liabilities and fund balance	\$ 577,886
	<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF CHESTER
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund balance - governmental activities (per balance sheet - page 7)	\$ 567,318
--	-------------------

Amounts reported for governmental activities in the Statement of Net Assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	152,271
--	---------

Net assets of governmental activities - page 5	\$ 719,589
---	-------------------

See accompanying notes to financial statements

**TOWNSHIP OF CHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008**

Revenues:

Property taxes and assessments	\$ 99,239
State sources	90,917
Charges for services	33,481
Interest	31,039
Miscellaneous	226

Total revenues	254,902
----------------	---------

Expenditures:

Current:	
General government	129,752
Public safety	34,833
Public works	92,562

Total expenditures	257,147
--------------------	---------

Excess of revenues over expenditures	(2,245)
--------------------------------------	---------

Fund Balance - April 1, 2007	569,563
------------------------------	---------

Fund Balance - March 31, 2008	\$ 567,318
-------------------------------	------------

See accompanying notes to financial statements

**TOWNSHIP OF CHESTER
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2008**

Assets

Cash	\$ 1,029
	<u> </u>

Liabilities

Due to other funds	\$ 1,029
	<u> </u>

See accompanying notes to financial statements

**TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 1: ENTITY

The Township of Chester is a general law township of the State of Michigan, located in Otsego County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Chester Township.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Chester Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Chester Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED))**

Government-Wide Financial Statements (Continued)

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The Township of Chester has only one governmental fund, general. Therefore, no non-major funds are reported. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, fees, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property taxes are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls.

**TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007 are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$91,849,307.

The tax rates for the year ended March 31, 2008, were as follows:

Purpose	Rate / Assessed Valuation
General	0.900 mills per \$1,000

BUDGET

Each year the unit formulates and adopts a budget as follows:

1. In January or February a preliminary budget is prepared for all funds.
2. Review and annual budget hearing are held in March.
3. Budget is adopted at the Township Board meeting in March of each year.

The budget as prepared conformed to P.A. 621 of 1978.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. The Township experienced no significant budget overages for the year ended March 31, 2008.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Estimated useful lives, in years, for depreciable assets are as follows:

Office furniture and equipment	5 - 10 years
Buildings and improvements	25 - 40 years
Land improvements	10 - 20 years

Land is not depreciated.

For information describing capital assets, see Note 4.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The Investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

The Township's deposits and investment policies are in accordance with statutory authority.

TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

As of March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 571,495</u>	<u>\$ 1,029</u>	<u>\$ 572,524</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits - checking and savings accounts	\$ 236,927
Certificates of deposit	<u>335,597</u>
Total	<u>\$ 572,524</u>

Deposits

The bank balance of the Township's deposits totals \$572,524 of which \$289,524 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 4: CAPITAL ASSETS

Capital asset activity of the Township was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities:				
Capital assets not being depreciated - Land	\$ 10,400	\$ -	\$ -	\$ 10,400
Capital assets being depreciated:				
Buildings and grounds	190,785	-	-	190,785
Furniture and equipment	11,674	-	-	11,674
Subtotal	202,459	-	-	202,459
Accumulated depreciation:				
Buildings and grounds	45,312	4,770	-	50,082
Furniture and equipment	9,339	1,167	-	10,506
Subtotal	54,651	5,937	-	60,588
Net capital assets being depreciated	147,808	(5,937)	-	141,871
Net capital assets	\$ 158,208	\$ (5,937)	\$ -	\$ 152,271

Depreciation expense was charged entirely to the general government activity.

NOTE 5: PENSION PLAN

The Township of Chester contributes to a pension plan which is a defined contribution pension plan administered by the Manufacturers Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All full-time employees and elected officials over the age of 18 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested immediately. The participant will receive all vested benefits upon termination of employment with the Township. Normal retirement age is 65 or completion of 10 years of service, whichever is later. Early retirement is permitted at age 55.

TOWNSHIP OF CHESTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE 5: PENSION PLAN (CONTINUED)

The plan requires the Township to contribute 12% of the eligible employee's current compensation. The Township has met all pension obligations for the year ended March 31, 2008. The Township's contribution for the year totaled \$6,610.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 6: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Municipal Liability and Property Pool, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenues				
Property taxes and assessments	\$ 89,030	\$ 89,030	\$ 99,239	\$ 10,209
State sources	63,300	63,300	90,917	27,617
Charges for services	20,400	20,400	33,481	13,081
Interest	7,000	7,000	31,039	24,039
Miscellaneous	250	250	226	(24)
Total revenues	179,980	179,980	254,902	74,922
Expenditures				
General Government				
Township Board:				
Wages	12,524	12,524	10,160	2,364
Pension and fringes	10,200	10,200	7,718	2,482
Office equipment	2,000	2,000	-	2,000
Professional services	6,000	6,000	6,805	(805)
Printing and publishing	600	600	305	295
Membership dues	2,400	2,400	1,874	526
Office supplies	2,350	2,350	1,748	602
Travel	2,000	2,000	1,090	910
Miscellaneous	4,500	4,500	3,972	528
Total Township Board	42,574	42,574	33,672	8,902
Township Supervisor:				
Salaries	12,984	12,984	11,927	1,057
Travel	1,200	1,200	550	650
Office supplies and other	150	150	137	13
Total Township Supervisor	14,334	14,334	12,614	1,720
Township Assessor:				
Salaries	21,420	21,420	21,351	69
Office supplies and other	100	100	82	18
Total Township Assessor	21,520	21,520	21,433	87
Election Board:				
Salaries	3,000	3,000	992	2,008
Equipment Repair & Maintenance	300	300	-	300
Office Equipment	600	600	-	600
Travel	-	-	-	-
Office supplies and other	300	300	479	(179)
Total Election Board	4,200	4,200	1,471	2,729

TOWNSHIP OF CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

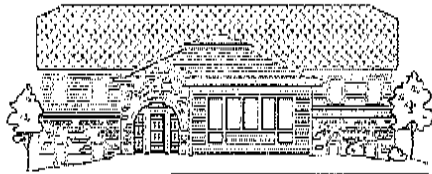
	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Clerk:				
Salaries	18,148	18,148	17,408	740
Travel	700	700	581	119
Office supplies and other	560	560	352	208
Office equipment	1,200	1,200	1,051	149
Total Township Clerk	20,608	20,608	19,392	1,216
Township Treasurer:				
Salaries	22,698	22,698	20,636	2,062
Office supplies and equipment	1,500	1,500	1,301	199
Postage	1,600	1,600	1,415	185
Travel	900	900	483	417
Education	-	-	-	-
	26,698	26,698	23,835	2,863
Board of Review:				
Salaries	1,800	1,800	1,260	540
Office supplies and other	100	100	38	62
Transportation	-	-	-	-
	1,900	1,900	1,298	602
Township Hall:				
Supplies	300	300	79	221
Contract services	3,300	3,300	2,408	892
Telephone	1,600	1,600	1,496	104
Insurance and bonds	4,200	4,200	3,710	490
Utilities	1,600	1,600	1,996	(396)
Supplies	2,600	2,600	2,202	398
Equipment and repairs	4,000	4,000	2,219	1,781
Total Township Hall	17,600	17,600	14,110	3,490
Ordinance Enforcement:				
Ordinance Enforcement Wages	1,872	1,872	1,866	6
Supplies	200	200	-	200
Mileage	700	700	61	639
Total Ordinance Enforcement	2,772	2,772	1,927	845
Total General Government	152,206	152,206	129,752	22,454

**TOWNSHIP OF CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Public safety	41,000	41,000	34,833	6,167
Public works	95,000	95,000	92,562	2,438
Total Expenditures	<u>288,206</u>	<u>288,206</u>	<u>257,147</u>	<u>31,059</u>
Excess (deficiency) of revenues over (under) expenditures	(108,226)	(108,226)	(2,246)	105,981
Fund Balance - April 1, 2007	<u>437,226</u>	<u>437,226</u>	<u>569,563</u>	<u>132,337</u>
Fund Balance - March 31, 2008	<u>\$ 329,000</u>	<u>\$ 329,000</u>	<u>\$ 567,318</u>	<u>\$ 238,318</u>

Adjusting Journal Entries
Chester Township
March 31, 2008

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Accounts Payable	TB 06	101-000-202	1,351.00	
1	Fund Balance		101-000-300		1,351.00
Adjustment done in 2006 for 2005 AP account no longer used					
2	Accumulated Depreciation	K2	901-000-150		5,937.00
2	Net assets		901-000-300	5,937.00	
Depreciation for 2007					
3	Depreciation Expense - General gove	K1	901-000-701	5,937.00	
3	Accumulated Depreciation		901-000-150		5,937.00
Record Current year Depreciation					
4	Due From County	TB 06	101-000-072		6,524.00
4	Fund Balance		101-000-300	6,524.00	
2006 Adjustment not completed for prior year					
5	Due from Other Funds	TB06	101-000-141		6.00
5	Fund Balance		101-000-300	6.00	
2006 Adjustment not completed by client for prior year					
6	State W/H	TB06	101-000-236		4,656.00
6	Fund Balance		101-000-300	4,656.00	
2006 Adjustment not completed by client for prior year					
7	Payroll Liabilities	M1	101-000-235	1,031.00	
7	Misc		101-101-956		1,031.00
Adjust Payroll Liabilities to Actual					
8	Administration Fee	R3	101-000-403.5	4,602.00	
8	Fund Balance		101-000-300		4,602.00
Adjust prior year income to fund balance					
9	CDs	C5	101-000-003	8,394.00	
9	Interest & Dividends		101-000-664		8,394.00
Record CD Interest per Bank Verifications					
10	Money Market Acct.	C4	101-000-004	246.00	
10	Interest & Dividends		101-000-664		246.00
Record interest per bank for March					
11	Due From County	R3	101-000-072	1,150.00	
11	Administration Fee		101-000-403.5		1,150.00
Record PTAF Due from County					
12	Current Real Property Tax	R3	101-000-403	29,967.00	
12	Fund Balance		101-000-300		29,967.00
Adjust prior year tax income to fund balance					
13	Current Real Property Tax	R3	101-000-403		5,241.00
13	Due From County		101-000-072	5,241.00	
Record receivable from county for unpaid taxes					
Totals .				75,042.00	75,042.00



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Ronald D. Alexander, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)

October 23, 2008

To the Township Board
Chester Township
Otsego County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Chester (the Township) for the year ended March 31, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on March 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

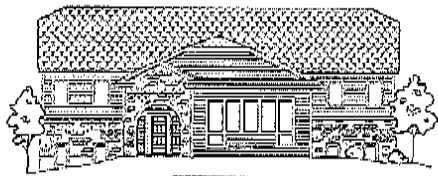
The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Chester's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Keskine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Ronald D. Alexander, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)

October 23, 2008

To the Township Board
Chester Township
Otsego County, MI

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Chester (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

P.O. BOX 962 • GAYLORD, MICHIGAN 49734
PHONE (989) 732-7515 • FAX (989) 732-7790
www.keskincook.com

This communication is intended solely for the information and use of management, the Township of Chester's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP